

GOLETA REDEVELOPMENT AGENCY

ASSET TRANSFER REVIEW

Review Report

January 1, 2011, through January 31, 2012



JOHN CHIANG
California State Controller

February 2014



JOHN CHIANG
California State Controller

February 13, 2014

Daniel Singer, City Manager
City of Goleta/Successor Agency
130 Cremona Drive, Suite B
Goleta, CA 93117

Dear Mr. Singer:

Pursuant to Health and Safety (H&S) Code section 34167.5, the State Controller's Office (SCO) reviewed all asset transfers made by the Goleta Redevelopment Agency (RDA) to the City of Goleta (City) or any other public agency after January 1, 2011. This statutory provision states, "The Legislature hereby finds that a transfer of assets by a redevelopment agency during the period covered in this section is deemed not to be in furtherance of the Community Redevelopment Law and is thereby unauthorized." Therefore, our review included an assessment of whether each asset transfer was allowable and whether it should be turned over to the Successor Agency.

Our review applied to all assets including, but not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payment of any kind. We also reviewed and determined whether any unallowable transfers of assets to the City or any other public agencies have been reversed.

Our review found that the RDA transferred \$24,458,797 in assets after January 1, 2011, including unallowable transfers to the City totaling \$19,262,811, or 78.76% of transferred assets. However, in July and November of 2012, the City of Goleta remitted unencumbered cash, totaling \$1,137,452, to the County Auditor-Controller. The remaining amount of unallowable transfers, totaling \$18,125,359, must be turned over to the Successor Agency.

If you have any questions, please contact Elizabeth Gonzalez, Bureau Chief, Local Government Compliance Bureau, by phone at (916) 324-0622.

Sincerely,

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

JVB/kw

cc: Tina Rivera, Finance Director
City of Goleta
Renee Bahl, Chairperson of Oversight Board
For the Successor Agency to the Goleta Redevelopment Agency
Robert W. Geis, Auditor-Controller
County of Santa Barbara
David Botelho, Program Budget Manager
California Department of Finance
Richard J. Chivaro, Chief Legal Counsel
State Controller's Office
Elizabeth Gonzalez, Bureau Chief
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Betty Moya, Audit Manager
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Asset Transfer Review Report

Summary

The State Controller's Office (SCO) reviewed the asset transfers made by the Goleta Redevelopment Agency (RDA) after January 1, 2011. Our review included, but was not limited to, real and personal property, cash funds, accounts receivable, deeds of trust and mortgages, contract rights, and rights to payments of any kind from any source.

Our review found that the RDA transferred \$24,458,797 in assets after January 1, 2011, including unallowable transfers to the City of Goleta (City) totaling \$19,262,811, or 78.76% of transferred assets. However, in July and November of 2012, the City remitted unencumbered cash, totaling \$1,137,452, to the County Auditor-Controller. The remaining amount of unallowable transfers, totaling \$18,125,359, must be turned over to the Successor Agency.

Background

In January of 2011, the Governor of the State of California proposed statewide elimination of redevelopment agencies (RDAs) beginning with the fiscal year (FY) 2011-12 State budget. The Governor's proposal was incorporated into Assembly Bill 26 (ABX1 26, Chapter 5, Statutes of 2011, First Extraordinary Session), which was passed by the Legislature, and signed into law by the Governor on June 28, 2011.

ABX1 26 prohibited RDAs from engaging in new business, established mechanisms and timelines for dissolution of the RDAs, and created RDA Successor Agencies to oversee dissolution of the RDAs and redistribution of RDA assets.

A California Supreme Court decision on December 28, 2011 (*California Redevelopment Association et al. v. Matosantos*), upheld ABX1 26 and the Legislature's constitutional authority to dissolve the RDAs.

ABX1 26 was codified in the Health and Safety (H&S) Code beginning with section 34161.

In accordance with the requirements of H&S Code section 34167.5, the State Controller is required to review the activities of RDAs, "to determine whether an asset transfer has occurred after January 1, 2011, between the city or county, or city and county that created a redevelopment agency, or any other public agency, and the redevelopment agency," and the date on which the RDA ceases to operate, or January 31, 2012, whichever is earlier.

The SCO has identified transfers of assets that occurred after January 1, 2011, between the RDA, the City, and/or other public agencies. By law, the SCO is required to order that such assets, except those that already had been committed to a third party prior to June 28, 2011, the effective date of ABX1 26, be turned over to the Successor Agency. In addition, the SCO may file a legal order to ensure compliance with this order.

Objective, Scope, and Methodology

Our review objective was to determine whether asset transfers that occurred after January 1, 2011, and the date upon which the RDA ceased to operate, or January 31, 2012, whichever was earlier, between the city or county, or city and county that created an RDA, or any other public agency, and the RDA, were appropriate.

We performed the following procedures:

- Interviewed Successor Agency personnel to gain an understanding of the Successor Agency operations and procedures.
- Reviewed meeting minutes, resolutions, and ordinances of the City, the RDA, the Successor Agency, and the Oversight Board.
- Reviewed accounting records relating to the recording of assets.
- Verified the accuracy of the Asset Transfer Assessment Form. This form was sent to all former RDAs to provide a list of all assets transferred between January 1, 2011, and January 31, 2012.
- Reviewed applicable financial reports to verify assets (capital, cash, property, etc.).

Conclusion

Our review found that the Goleta Redevelopment Agency transferred \$24,458,797 in assets after January 1, 2011, including unallowable transfers to the City of Goleta (City) totaling \$19,262,811, or 78.76% of transferred assets. However, in July and November of 2012, the City remitted unencumbered cash, totaling \$1,137,452, to the County Auditor-Controller. The remaining amount of unallowable transfers, totaling \$18,125,359, must be turned over to the Successor Agency.

Details of our finding are in the Finding and Order of the Controller section of this report.

Views of Responsible Official

We issued a draft review report on September 30, 2013. Tina Rivera, Finance Director, responded by letter dated October 18, 2013, disagreeing with the review results. The City of Goleta's response is included in this final review report as an attachment.

Restricted Use

This report is solely for the information and use of the City, the Successor Agency, the Oversight Board, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record when issued final.

Original signed by

JEFFREY V. BROWNFIELD, CPA
Chief, Division of Audits

February 13, 2014

Finding and Order of the Controller

FINDING— Unallowable asset transfers to the City of Goleta

The Goleta Redevelopment Agency (RDA) transferred \$19,262,811 described in schedule 1, in current assets to the City of Goleta (City). The asset transfers to the City occurred after January 1, 2011, and the assets were not contractually committed to a third party prior to June 28, 2011. These assets consisted solely of cash.

Unallowable asset transfers were as follows:

- On March 8, 2011, the RDA transferred bond proceeds totaling \$14,082,472 to the City. The bonds were issued by the RDA for public safety improvements as outlined by various cooperation agreements. However, the City failed to enter into contracts with third party vendors, encumbering the funds, until June 30, 2011.
- On April 1, 2011, the RDA transferred cash in the amount of \$3,500,000 to the City in repayment of a City loan. Bond proceeds received in March were used to repay the principal balance of the loan, and interest payments totaling \$30,625 were transferred from January through March.
- On June 30, 2011, the RDA transferred cash to the City totaling \$512,262. The transfer was accomplished pursuant to the 2009 Cooperation Agreement between the City and the RDA.
- On February 1, 2012, the RDA transferred the low and moderate income housing assets in the amount of \$1,137,452 to the City. The transfer was made pursuant to City Council Resolution 12-05, in which the City elected to retain the housing assets and functions previously performed by the RDA. However, on July 12, 2012 and November 2, 2012, the City remitted unencumbered cash of \$945,257 and \$192,195, respectively, totaling \$1,137,452 to the Santa Barbara County Auditor-Controller for distribution to eligible taxing entities.

Pursuant to Health and Safety (H&S) Code section 34167.5, the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Those assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177 (d) and (e).

Order of the Controller

Pursuant to H&S Code section 34167.5, the City is ordered to reverse the transfer of the above assets, described in Schedule 1, in the amount of \$19,262,811, and turn them over to the Successor Agency. However, the City remitted \$1,137,452 in unencumbered low and moderate income housing cash to the Santa Barbara County Auditor-Controller. Therefore, the remaining \$18,125,359 in unallowable transfers must be turned over to the Successor Agency.

City's Response

See the City's response (numbers 1 and 3) regarding the transfer of cash (bond proceeds) to the City for Public Safety Improvements.

SCO's Comment

The State Controller's Office (SCO) acknowledges that the RDA and the City intended to improve certain project areas for Public Safety purposes in accordance with various agreements entered into between the RDA, the City, and other Public Agencies over the course of several years. However, at the time the bond proceeds were transferred to the City, the funds were not secured by third-party agreements. Contrary to the provisions of the 2009 Coop Public Improvements Agreement, the City was not reimbursed for expenses incurred relating to public improvements. Alternatively, the RDA advanced the bond proceeds without third-party vendor agreements in place. It was not until June 30, 2011, that the City entered into a construction contract with Flatiron West, Inc. encumbering \$18,602,574 specifically for the San Jose Creek Capacity Improvement and Fish Passage Project.

The finding and the Order of the Controller remain as stated.

City's Response

See the City's response (number 2) regarding the \$3,530,625 loan repayment.

SCO's Comment

The SCO disagrees with the City's response. H&S Code section 34167.5 states that the RDA may not transfer assets to a city, county, city and county, or any other public agency after January 1, 2011. Any assets should be turned over to the Successor Agency for disposition in accordance with H&S Code section 34177(d).

The finding and the Order of the Controller remain as stated.

**Schedule 1—
Unallowable Asset Transfers
to the City of Goleta
January 1, 2011, through January 31, 2012**

Unallowable asset transfers to the City of Goleta

Cash transfer to the City for bond interest payments (January-March 2011)	\$ 30,625
Cash transfer to the City for 2009 Cooperation Agreement (March 2, 2011)	14,082,472
Cash transfer to the City for Promissory Note (April 1, 2011)	3,500,000
Cash transfer to the City for 2009 Cooperation Agreement (June 30, 2011)	512,262
Cash transfer to the City (City retained housing assets per Resolution 12-05) (February 2, 2012)	<u>1,137,452</u>
Total unallowable asset transfers	19,262,811
Unencumbered cash remitted to the Santa Barbara County Auditor-Controller's Office	<u>(1,137,452)</u>
Total assets subject to H&S Code section 34167.5	<u>\$ 18,125,359</u>

**Attachment—
City of Goleta’s Response to
Draft Review Report**



SENT BY ELECTRONIC MAIL: smar@sco.ca.gov

October 18, 2013

CITY COUNCIL

Roger S. Aceves
Mayor

Michael T. Bennett
Mayor Pro Tempore

Edward Easton
Councilmember

Jim Farr
Councilmember

Paula Perotte
Councilmember

CITY MANAGER

Daniel Singer

Steven Mar, Chief
Local Government Audits Bureau
State Controller's Office, Division of Audits
Post Office Box 942850
Sacramento, California 94250-5874

RE: DRAFT Goleta Redevelopment Agency
Asset Transfer Review and Report

Dear Mr. Mar:

The City of Goleta, serving as the Successor Agency to the Redevelopment Agency for the City of Goleta ("Successor Agency"), wishes to submit the following comments concerning the Draft Goleta Redevelopment Agency Asset Transfer Review and Report (January 1, 2011 through January 31, 2012), dated September 30, 2013.

The response provided herein does not waive the right of the Successor Agency and the City to later provide additional information or statements as part of the review process. The Successor Agency and the City retain the right to raise new materials or positions as required.

These responses and objections are made without prejudice to, and are not a waiver of, the City's and the Successor Agency's right to rely on other facts, documents, responses or information in the State Controller Office's ("SCO") review process or at a later proceeding.

SCO has preliminarily determined the Redevelopment Agency for the City of Goleta ("Goleta RDA") that \$18,125,359 in assets must be turned over to the Successor Agency.

The California Department of Finance ("DOF") in its letter regarding the Other Funds and Accounts Due Diligence Review ("OFA DDR"), dated May 9, 2013, also reached the same conclusion that assets transferred to the City during the same period in the amount of \$18,125,359 were not allowable. The OFA DDR is included as an enclosure.

The 2013 findings by SCO and DOF both assert transfers totaling \$18,125,359 were not allowable and are summarized below:

<i>Item</i>	<i>Amount</i>	<i>Description</i>
Finding 1	\$14,082,472	(Bond Proceeds)
Finding 2	\$3,530,624	(Loan Repayment to City with Interest)
Finding 3	\$512,262	(Transfer of Cash)

The Successor Agency requests reconsideration of these preliminary findings and submits this letter addressing the overview of transfers and the individual components of these transfers in support of this request:

OVERVIEW: TRANSFERS OF \$18,125,359 TO CITY DURING 2011-12 TO BE RETURNED TO THE SUCCESSOR AGENCY

The DOF's position, based on its letter of May 9, 2013, created the impetus for the City and the Successor Agency to take legal action. On June 10, 2013, the City and Successor Agency filed Petition for Writs of Mandate and Complaint for Declaratory and Injunctive Relief, Impairment of Contract and Validation Action in regards to the impacts of the dissolution of California redevelopment agencies. Petition 34-2013-80001521 is included as an enclosure with this letter.

It is the City's position that the State of California is attempting to force the City to immediately remit over \$18 million in funds to the Goleta RDA Successor Agency so that these funds will be within the State's control and may be used to offset its own funding obligations to taxing entities. Moreover, the City asserts that the State used the passage of ABx1 26 and AB 1484 (collectively, the "Dissolution Law"), passed in 2011 and 2012 respectively, to extinguish various legal, valid and binding contractual obligations entered into by the Goleta RDA in 2006, 2009, 2010, and 2011, and to reap for itself funds the City and Successor Agency would not have had but for entering into binding third party bond agreements.

The Goleta RDA bond proceeds were received pursuant to the express provisions of agreements between the Goleta RDA and third parties Bank of New York Mellon Trust Company, N.A. ("BNY") and Stone & Youngberg LLP, and were already expended or contractually obligated for the purposes explicitly required in those agreements.

Obtaining these bond proceeds has already cost hundreds of thousands of dollars in issuance fees as consideration for this long term financing that City and Successor Agency cannot get back. In reliance on these binding agreements entered into prior to passage of the Dissolution Law, the City entered into additional construction contracts for implementation of much needed and long planned public safety flood improvements ("Public Safety Improvements"), as directly contemplated and agreed to in the bond agreements.

These agreements were part of plans dating back as long ago as 1998 to make Public Safety Improvements to the San Jose Creek Channel to prevent the risk of a reoccurrence of the danger and significant damages that had occurred in prior flooding. Plans had been made and approved for the Goleta RDA to issue bonds to finance these projects back in 2007, but had been temporarily delayed in the interest of fiscal prudence and to protect the taxpayers due to the highly unfavorable state of the municipal bond market at that time.

Bonds were ultimately issued in 2011 before the passage of the Dissolution Law, and the vast majority of bond proceeds have already been spent implementing the long planned San Jose Creek flood safety improvements. The contracts were part of a desperately-needed public project to prevent dangerous and costly flooding that had been planned for well over a decade, and had received funding commitments from other parties such as the Santa Barbara County Flood Control & Water Conservation District ("County Flood District").

As the City had commitments of funding from the County Flood District and funds in hand from the 2011 bond proceeds and Goleta RDA cash funds, the construction contract was awarded by the City on June 30, 2011. The City also executed the construction management contract for the project on June 30, 2011.

RESPONSES TO INDIVIDUAL FINDINGS IN THE DRAFT REPORT

1. Transfer of \$14,082,472 Related to Bond Proceeds

In 2007, the City and Goleta RDA formed a Joint Powers Authority to finance the repairs and the County Board of Supervisors authorized development of a Memorandum of Understanding ("MOU") between the City and the County Flood District to fund the Public Safety Improvements along with the redesign of the project to accommodate fish passage.

The agreement was a regional cooperative effort in which the City would lead in the construction by committing Goleta RDA funding. This arrangement was necessary as a result of the Flood Control's inability to complete the project due to lack of funding. In furtherance of this MOU, the City and Goleta RDA approved the issuance of tax allocation bonds, but due to the deteriorating municipal bond market, the bond sale was delayed.

On March 8, 2011, the Goleta RDA issued bonds in the amount of \$16,085,000 for the Public Safety Improvements, as set forth on page 3 of the Official Statement. Pursuant to the Bond Purchase Agreement, dated March 3, 2011, Stone & Youngberg LLP agreed to purchase from the Goleta Financing Authority ("GFA") for offering to the public, and the GFA agreed to sell to Stone & Youngberg LLP for such purpose, all of the \$16,085,000 aggregate principal amount of the Goleta RDA's 2011 Tax Allocation Bonds, at a purchase price equal to \$15,568,872.30 (aggregate principal amount less an underwriter's discount of \$262,512.50 and less an original issue discount of \$253,615.20).

The Bonds were purchased by the GFA from the Goleta RDA for resale and delivery to Stone & Youngberg LLP concurrently with the purchase of the Bonds by Stone & Youngberg LLP from the GFA; provided that the obligation of the GFA to purchase the Bonds from the Goleta RDA was to be solely with moneys provided by Stone & Youngberg LLP.

These bond proceeds were received pursuant to the express provisions of agreements between the Goleta RDA and third parties BNY and Stone & Youngberg LLP, and were already expended or contractually obligated for the purposes explicitly required in those agreements. On the same day, the Goleta RDA transferred \$14,082,472 of bond proceeds to the City for the Public Safety Improvements, as required by Sections 3.02 and 3.04 of the 2011 Bond Indenture, and as referenced in the City Receipt of Funds, referencing the 2011 Bond Indenture and the 2009 Cooperation Agreement.

The transfer of the bond proceeds was outlined to the State Controller in the Asset Transfer Assessment, dated April 26, 2012, and cites the commitment of funds pursuant to the 2010 Cooperation Agreement between the City and the County Flood District.

2. Transfer of \$3,530,625 Related to Loan Repayment to City

As outlined to the SCO in the Asset Transfer Assessment, dated April 26, 2012, on June 1, 2010 the City transferred to the Goleta RDA \$3,500,000 as a substitute financing tool for the public safety projects given the alternative of high financing costs in the municipal bond market.

This loan allowed the Goleta RDA to continue with Public Safety Improvements at a significantly reduced cost. The loan was documented with a Promissory Note dated 6/01/2010. The term of the loan called for repayment of the loan at the earlier of: (a) securing an alternative funding source, or (b) 6/01/2011. Since the Goleta RDA secured a project funding source in the month of March 2011 by issuing bonds, the loan obligation was repaid along with interest due of \$30,624 as of March 2011. All of these transactions took prior to the passage of legislation dissolving redevelopment agencies.

3. Transfer of \$512,262 Related to Transfer of Cash

The transfer of \$512,262 was done in furtherance of the Public Safety Improvements as required by Sections 3.02 and 3.04 of the 2011 Bond Indenture, in conformance with the 2009 Cooperation Agreement as well as the 2010 City/County Flood Control & Water Conservation District Cooperation Agreement in furtherance of the public safety flood control project.

CONCLUSION

For these reasons, we respectfully request that the SCO include the City's comments and revise its findings expressed in the Draft Report for the wind down of the former Goleta RDA.

Sincerely,



Tina Rivera
City Finance Director

Enclosures:

Other Funds and Accounts Due Diligence Review, Dated May 9, 2013
Superior Court Petition 34-2013-80001521, Dated June 10, 2013

cc: Tim Giles, City Attorney, City of Goleta
Dan Singer, City Manager, City of Goleta



May 9, 2013

Ms. Tina Rivera, City Finance Director
City of Goleta
130 Cremona Drive, Suite B
Goleta, CA 93117

Dear Ms. Rivera:

Subject: Other Funds and Accounts Due Diligence Review

This letter supersedes the California Department of Finance's (Finance) original Other Funds and Accounts (OFA) Due Diligence Review (DDR) determination letter dated April 8, 2013. Pursuant to Health and Safety Code (HSC) section 34179.6 (c), the City of Goleta Successor Agency (Agency) submitted an oversight board approved OFA DDR to Finance on January 24, 2013. The purpose of the review was to determine the amount of cash and cash equivalents available for distribution to the affected taxing entities. Since the Agency did not meet the January 15, 2013, submittal deadline pursuant to HSC section 34179.6 (c), Finance was not bound to completing its review and making a determination by the April 1, 2013, deadline pursuant to HSC section 34179.6 (d). Finance issued an OFA DDR determination letter on April 8, 2013. Subsequently, the Agency requested a Meet and Confer session on one or more items adjusted by Finance. The Meet and Confer session was held on April 25, 2013.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of those specific items being disputed. Specifically, the following adjustments were made:

- Total amount of assets held as of June 30, 2012 should be \$5,407,716. The June 30, 2012 Comprehensive Annual Financial Report identified additional assets in the amount of \$566,176 that were not included in the DDR. Based upon further review during the Meet and Confer process, the \$566,176 variance is made up of \$192,195 in cash, \$95 in accounts receivable, and \$373,886 in deferred charges. The \$192,195 in cash was ordered to be remitted during the Low and Moderate Income Housing Fund DDR. The \$95 in accounts receivable and \$373,886 in deferred charges are non-cash or cash equivalent assets and not available for remittance. Therefore, Finance is making no changes to the OFA balance available to the taxing entities.
- Assets transferred to the City of Goleta (City) during the period of January 1, 2011 through June 30, 2012, in the amount of \$18,125,358 are not allowable. HSC section 34179.5 (c) (2) only allows transfers within this period that are required by an enforceable obligation or meet the definition of governmental use.

- o Bond proceeds were transferred to the City in the amount of \$14,082,472. The agreements provided were entered into after June 27, 2011, by the City. In addition, the project on which the bond proceeds were expended has not been listed on a Recognized Obligation Payment Schedule (ROPS) for Finance's review to determine if an enforceable obligation exists. HSC section 34177 (a) (3) states that commencing on the date the ROPS is valid pursuant to subdivision (l) of HSC section 34177, only those payments listed in the ROPS may be made by the successor agency from the funds specified in the ROPS.

Furthermore, per HSC section 34179.5 (c) (2), the dollar value of assets and cash transferred by the former redevelopment agency (RDA) or successor agency to the city, county, or city and county that created the former RDA between January 1, 2011 through June 30, 2012, must be evidenced by documentation of the enforceable obligation that required the transfer. HSC section 34179.5 states "enforceable obligation" includes any of the items listed in subdivision (d) of section 34171, contracts detailing specific work that were entered into by the former RDA prior to June 28, 2011, with a third party other than the city, county, or city and county that created the former RDA, and indebtedness obligations as defined in subdivision (e) of Section 34171. The Agency provided cooperation agreements between the City and the former RDA. HSC section 34171 (d) (2) states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. Therefore, the transfer was not made pursuant to an enforceable obligation and is not permitted. The Agency should recover the bond proceeds from the City. Since these are bond funds, Finance made no adjustments to the OFA balance available to the affected taxing entities.

We note that pursuant to HSC section 34191.4 (c), successor agencies that have been issued a Finding of Completion by Finance will be allowed to use excess proceeds from bonds issued prior to December 31, 2010, for the purposes for which the bonds were issued. Successor agencies are required to defease or repurchase on the open market for cancellation any bonds that cannot be used for the purpose they were issued or if they were issued after December 31, 2010. The bond proceeds requested for use were issued in March 2011.

- o Cash in the amount of \$512,262 was transferred to the City for capital projects pursuant to a 2009 cooperation agreement. HSC section 34171 (d) (2) states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. Therefore, the transfer was not made pursuant to an enforceable obligation and is not permitted. The OFA balances available for distribution to the taxing entities will be increased by \$512,262.
- o April 1, 2011 transfer for a cooperative agreement payment with the City in the amount of \$3,530,624 is not allowed. No documents received support that the transfer was required by an enforceable obligation. HSC section 34179.5 states "enforceable obligation" includes any of the items listed in subdivision (d) of section 34171. HSC section 34171 (d) (2) states "enforceable obligation" does not include any agreements, contracts, or arrangements between the city that created the RDA and the former RDA. These loans were issued after the first two years of the RDA's creation. Therefore, the transfer was not made pursuant

Ms. Tina Rivera
May 9, 2013
Page 3

to an enforceable obligation and is not permitted. The OFA balances available for distribution to the taxing entities will be increased by \$3,530,624.

The repayment of loans may become enforceable obligations after the Agency receives a Finding of Completion from Finance. If the oversight board makes a finding that the loans were for legitimate redevelopment purposes, these loans should be placed on future ROPS for repayment. Refer to HSC section 34191.4 (b) for more guidance.

The Agency's OFA balance available for distribution to the affected taxing entities is \$4,042,829 (see table below).

OFA Balances Available For Distribution To Taxing Entities	
Available Balance per DDR:	\$ (57)
Finance Adjustments	
Add:	
Disallowed transfers to the City of Goleta:	4,042,886
Total OFA available to be distributed:	\$ 4,042,829

This is Finance's final determination of the OFA balances available for distribution to the taxing entities. HSC section 34179.6 (f) requires successor agencies to transmit to the county auditor-controller the amount of funds identified in the above table within five working days, plus any interest those sums accumulated while in the possession of the recipient. Upon submission of payment, it is requested you provide proof of payment to Finance within five business days.

If funds identified for transmission are in the possession of the successor agency, and if the successor agency is operated by the city or county that created the former redevelopment agency, then failure to transmit the identified funds may result in offsets to the city's or the county's sales and use tax allocation, as well as its property tax allocation. If funds identified for transmission are in the possession of another taxing entity, the successor agency is required to take diligent efforts to recover such funds. A failure to recover and remit those funds may result in offsets to the other taxing entity's sales and use tax allocation or to its property tax allocation. If funds identified for transmission are in the possession of a private entity, HSC 34179.6 (h) (1) (B) states that any remittance related to unallowable transfers to a private party may also be subject to a 10 percent penalty if not remitted within 60 days.

Failure to transmit the identified funds will also prevent the Agency from being able to receive a finding of completion from Finance. Without a finding of completion, the Agency will be unable to take advantage of the provisions detailed in HSC section 34191.4. Specifically, these provisions allow certain loan agreements between the former redevelopment agency (RDA) and the city, county, or city and county that created the RDA to be considered enforceable obligations. These provisions also allow certain bond proceeds to be used for the purposes in which they were sold and allows for the transfer of real property and interests into the Community Redevelopment Property Trust Fund once Finance approves the Agency's long-range property management plan.

In addition to the consequences above, willful failure to return assets that were deemed an unallowable transfer or failure to remit the funds identified above could expose certain individuals to criminal penalties under existing law.

Ms. Tina Rivera
May 9, 2013
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Pursuant to HSC sections 34167.5 and 34178.8, the California State Controller's Office (Controller) has the authority to claw back assets that were inappropriately transferred to the city, county, or any other public agency. Determinations outlined in this letter do not in any way eliminate the Controller's authority.

Please direct inquiries to Evelyn Suess, Supervisor, or Mary Halterman, Analyst, at (916) 445-1546.

Sincerely,



STEVE SZALAY
Local Government Consultant

cc: Ms. Jaime Valdez, Sr. Management Analyst, City of Goleta
Mr. Robert W. Gels, Auditor/Controller, Santa Barbara County
Mr. Ed Price, Division Chief Property Tax Division, Santa Barbara County
California State Controller's Office



SUPERIOR COURT OF CALIFORNIA
County of Sacramento
720 Ninth Street Room 102
Sacramento, CA 95814-1380
(916) 874-5522
www.saccourt.ca.gov

NOTICE OF CASE ASSIGNMENT
Proceeding for Writ of Mandate and/or Prohibition

Case Number : 34-2013-80001521-CU-WM-GDS

This case has been assigned for all purposes to the judicial officer indicated below pursuant to rule 3.734 of the California Rules of Court and Sacramento Superior Court Local Rule 2.01; it is exempt from the requirements of the Trial Court Delay Reduction Act and the Case Management Program under Chapter 11 of the Sacramento Superior Court Local Rules.

JUDGE	COURT LOCATION	DEPT.
Michael P. Kenny	Gordon D. Schaber Courthouse	31

The petitioner shall serve all parties with a copy of this order and a copy of the Sacramento Superior Court Guide to the Procedures for Prosecuting Petitions for Prerogative Writs. The Guide is available in Room 102 of the courthouse, from the clerk of the department to which this matter has been assigned, and on the "Civil" page of the Sacramento Superior Court internet website (www.saccourt.ca.gov).

Scheduling

Contact the clerk in the assigned department to schedule any judicial proceedings in this matter, including hearings on ex parte applications and noticed motions.

JUDGE	DEPT.	PHONE
Hon. Eugene L. Balonon	14	(916) 874-6156
Hon. Timothy M. Frawley	29	(916) 874-5684
Hon. Michael P. Kenny	31	(916) 874-6353
Hon. Allen H. Sumner	42	(916) 874-5672

Other Information

Pursuant to Local Rule 2.01, all documents submitted for filing in this case shall be filed in person at the Civil Front Counter (Room 102) or by mail addressed to the Clerk of the Sacramento Superior Court, Attn: Civil Division-Room 102, with the exception of certain documents filed on the day of the hearing. For specific requirements, please see the Sacramento Superior Court Guide to the Procedures for Prosecuting Petitions for Prerogative Writs.

Any administrative record must be lodged with the assigned department.

Date: 06/10/2013

Signed: /s/ M. Rubalcaba
Maryann Rubalcaba, Deputy Clerk

1 **SUMMONS (CCP §§ 861.1; 412.20)**
2 **(CITACION JUDICIAL)**

3 **NOTICE! You have been sued. The court**
4 **may decide against you without your being**
5 **heard unless you respond by**
6 **Monday, August 5, 2013. Read the information**
7 **below.**

8 ***AVISO! Usted ha sido demandado. El tribunal***
9 ***puede decidir en su contra sin que usted sea***
10 ***escuchado a menos que usted responda a más tardar***
11 ***el Lunes, 5 de agosto 2013. Lea la información***
12 ***a continuación.***

9 SUPERIOR COURT OF THE STATE OF CALIFORNIA

10 COUNTY OF SACRAMENTO

12 CITY OF GOLETA, a California municipal
13 corporation; and SUCCESSOR
14 AGENCY TO THE REDEVELOPMENT
15 AGENCY FOR THE CITY OF GOLETA, a
16 public entity,

15 Petitioners/Plaintiffs,

16 v.

17 ANA J. MATOSANTOS, in her official capacity
18 as Director of the California Department of
19 Finance; CALIFORNIA DEPARTMENT OF
20 FINANCE, a public agency; CALIFORNIA
21 STATE BOARD OF EQUALIZATION, a public
22 agency; ROBERT W. GEIS, in his official
23 capacity as Santa Barbara County Auditor-
24 Controller; JOHN CHIANG, in his official
25 capacity as California State Controller; DOES 1
26 through 20; and ALL PERSONS INTERESTED
27 IN THE FOLLOWING MATTERS: (1) The
28 Indenture of Trust Dated as of March 1, 2011 by
and between the Redevelopment Agency for the
City of Goleta and The Bank of New York
Mellon Trust Company, N.A., as Trustee
Relating to \$16,085,000 Redevelopment Agency
For the City of Goleta, Goleta Old Town
Redevelopment Project 2011 Tax Allocation
Bonds; (2) Bond Purchase Agreement dated
March 3, 2011 between the Redevelopment

CASE NO. 34-2013-80001521

SUMMONS (CCP §§ 861.1; 412.20)
(CITACION JUDICIAL)

1 TIM W. GILES, SBN 145638
2 TGiles@cityofgoleta.org
3 City Attorney, CITY OF GOLETA, and

4 GIBSON, DUNN & CRUTCHER LLP
5 JEFFREY D. DINTZER, SBN 139056
6 JDintzer@gibsondunn.com
7 DAVID EDSALL, JR., SBN 266883
8 DEdsall@gibsondunn.com
9 333 South Grand Avenue
10 Los Angeles, California 90071-3197
11 Telephone: (213) 229-7000
12 Facsimile: (213) 229-7520

13 Attorneys for Petitioners/Plaintiffs,
14 CITY OF GOLETA and SUCCESSOR
15 AGENCY TO THE REDEVELOPMENT
16 AGENCY FOR THE CITY OF GOLETA

17 **[Exempt from Filing Fees Pursuant to
18 Government Code § 6103]**

19 SUPERIOR COURT OF THE STATE OF CALIFORNIA

20 COUNTY OF SACRAMENTO

21 CITY OF GOLETA, a California municipal
22 corporation; and SUCCESSOR
23 AGENCY TO THE REDEVELOPMENT
24 AGENCY FOR THE CITY OF GOLETA, a
25 public entity,

26 Petitioners/Plaintiffs,

27 v.

28 ANA J. MATOSANTOS, in her official capacity
as Director of the California Department of
Finance; CALIFORNIA DEPARTMENT OF
FINANCE, a public agency; CALIFORNIA
STATE BOARD OF EQUALIZATION, a public
agency; ROBERT W. GEIS, in his official
capacity as Santa Barbara County Auditor-
Controller; JOHN CHIANG, in his official
capacity as California State Controller; DOES 1
through 20; and ALL PERSONS INTERESTED
IN THE FOLLOWING MATTERS: (1) The

CASE NO.

VERIFIED PETITION FOR:

- 1. WRIT OF MANDATE UNDER CCP § 1085
- 2. WRIT OF ADMINISTRATIVE MANDAMUS UNDER CCP § 1094.5

VERIFIED COMPLAINT FOR:

- 3. DECLARATORY RELIEF
- 4. INJUNCTIVE RELIEF
- 5. IMPAIRMENT OF CONTRACT
- 6. VALIDATION ACTION

**NOTICE OF REQUEST FOR
PREPARATION OF ADMINISTRATIVE
RECORD PURSUANT TO CCP § 1094.6**

FILED
Superior Court Of California,
Sacramento
06/10/2013
mrubalcaba
By _____, Deputy
Case Number:
34-2013-80001521

BY FAX

CM-010

ATTORNEY OR PARTY WITHOUT ATTORNEY (Name, State Bar number, and address): Jeffrey D. Dintzer (SBN 139056) Tim W. Giles (SBN 145638) David Edsall Jr. (SBN 266883) City Attorney, City of Goleta Gibson, Dunn & Crutcher LLP 333 S. Grand Avenue, Los Angeles, CA 90071 TELEPHONE NO.: 213-229-7881 FAX NO. 213-229-6881 ATTORNEY FOR (Name): City of Goleta; and Successor Agency to Goleta RDA	FOR COURT USE ONLY FILED Superior Court Of California, Sacramento 06/10/2013 mrbalcala By _____ Deputy Case Number: 34-2013-80001521
SUPERIOR COURT OF CALIFORNIA, COUNTY OF Sacramento STREET ADDRESS: 720 9th Street MAILING ADDRESS: CITY AND ZIP CODE: Sacramento, CA 95814 BRANCH NAME: Gordon D. Schaber Sacramento County Courthouse	
CASE NAME: City of Goleta, et al. v. Matosantos, et al.	
CIVIL CASE COVER SHEET <input checked="" type="checkbox"/> Unlimited (Amount demanded exceeds \$25,000) <input type="checkbox"/> Limited (Amount demanded is \$25,000 or less)	Complex Case Designation <input type="checkbox"/> Counter <input type="checkbox"/> Joinder Filed with first appearance by defendant (Cal. Rules of Court, rule 3.402)
CASE NUMBER: _____ JUDGE: _____ DEPT.: _____	

Items 1-6 below must be completed (see instructions on page 2).

1. Check one box below for the case type that best describes this case:

Auto Tort <input type="checkbox"/> Auto (22) <input type="checkbox"/> Uninsured motorist (46) Other PIP/D/W/D (Personal Injury/Property Damage/Wrongful Death) Tort <input type="checkbox"/> Asbestos (04) <input type="checkbox"/> Product liability (24) <input type="checkbox"/> Medical malpractice (45) <input type="checkbox"/> Other PIP/D/W/D (23) Non-PIP/D/W/D (Other) Tort <input type="checkbox"/> Business tort/unfair business practice (07) <input type="checkbox"/> Civil rights (08) <input type="checkbox"/> Defamation (13) <input type="checkbox"/> Fraud (16) <input type="checkbox"/> Intellectual property (19) <input type="checkbox"/> Professional negligence (25) <input type="checkbox"/> Other non-PIP/D/W/D tort (36) Employment <input type="checkbox"/> Wrongful termination (36) <input type="checkbox"/> Other employment (15)	Contract <input type="checkbox"/> Breach of contract/warranty (06) <input type="checkbox"/> Rule 3.740 collections (09) <input type="checkbox"/> Other collections (09) <input type="checkbox"/> Insurance coverage (18) <input type="checkbox"/> Other contract (37) Real Property <input type="checkbox"/> Eminent domain/Inverse condemnation (14) <input type="checkbox"/> Wrongful eviction (33) <input type="checkbox"/> Other real property (26) Unlawful Detainer <input type="checkbox"/> Commercial (31) <input type="checkbox"/> Residential (32) <input type="checkbox"/> Drugs (38) Judicial Review <input type="checkbox"/> Asset forfeiture (05) <input type="checkbox"/> Petition re: arbitration award (11) <input checked="" type="checkbox"/> Writ of mandate (02) <input type="checkbox"/> Other judicial review (39)	Provisionally Complex Civil Litigation (Cal. Rules of Court, rules 3.400-3.403) <input type="checkbox"/> Antitrust/Trade regulation (03) <input type="checkbox"/> Construction defect (10) <input type="checkbox"/> Mass tort (40) <input type="checkbox"/> Securities litigation (28) <input type="checkbox"/> Environmental/Toxic tort (30) <input type="checkbox"/> Insurance coverage claims arising from the above listed provisionally complex case types (41) Enforcement of Judgment <input type="checkbox"/> Enforcement of judgment (20) Miscellaneous Civil Complaint <input type="checkbox"/> RICO (27) <input type="checkbox"/> Other complaint (not specified above) (42) Miscellaneous Civil Petition <input type="checkbox"/> Partnership and corporate governance (21) <input type="checkbox"/> Other petition (not specified above) (43)
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2. This case is is not complex under rule 3.400 of the California Rules of Court. If the case is complex, mark the factors requiring exceptional judicial management:

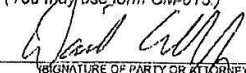
a. <input type="checkbox"/> Large number of separately represented parties	d. <input type="checkbox"/> Large number of witnesses
b. <input type="checkbox"/> Extensive motion practice raising difficult or novel issues that will be time-consuming to resolve	e. <input type="checkbox"/> Coordination with related actions pending in one or more courts in other counties, states, or countries, or in a federal court
c. <input type="checkbox"/> Substantial amount of documentary evidence	f. <input type="checkbox"/> Substantial postjudgment judicial supervision

3. Remedies sought (check all that apply): a. monetary b. nonmonetary; declaratory or injunctive relief c. punitive

4. Number of causes of action (specify): 6: writs of mandate, declaratory/injunctive relief, impairment, validation action

5. This case is is not a class action suit.

6. If there are any known related cases, file and serve a notice of related case. (You may use form CM-015.)

Date: June 10, 2013
 David Edsall Jr. _____
(TYPE OR PRINT NAME)  _____
(SIGNATURE OF PARTY OR ATTORNEY FOR PARTY)

NOTICE

- Plaintiff must file this cover sheet with the first paper filed in the action or proceeding (except small claims cases or cases filed under the Probate Code, Family Code, or Welfare and Institutions Code). (Cal. Rules of Court, rule 3.220.) Failure to file may result in sanctions.
- File this cover sheet in addition to any cover sheet required by local court rule.
- If this case is complex under rule 3.400 et seq. of the California Rules of Court, you must serve a copy of this cover sheet on all other parties to the action or proceeding.
- Unless this is a collections case under rule 3.740 or a complex case, this cover sheet will be used for statistical purposes only.

Page 1 of 2

BY FAX

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>